

PUBLIC UTILITIES COMMISSION505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**10/02/19
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October 2, 2019

Agenda ID #17791
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 18-12-009:

This is the proposed decision of Administrative Law Judges Rafael Lirag and Elaine C. Lau. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's November 7, 2019 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:gp2

Attachment

Decision **PROPOSED DECISION OF ALJS LAU AND LIRAG**

(Mailed 10/2/2019)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2020. (U39M)

Application 18-12-009

DECISION SETTING THE EFFECTIVE DATE OF PACIFIC GAS AND ELECTRIC COMPANY'S 2020 GENERAL RATE CASE REVENUE REQUIREMENT AND ESTABLISHING A GENERAL RATE CASE MEMO ACCOUNT**Summary**

This decision grants Pacific Gas and Electric Company (PG&E)'s motion to set the Test Year 2020 General Rate Case (GRC) revenue requirement, which the final decision will determine, to be effective January 1, 2020, in the event that the final decision will be issued after that date. This decision also directs PG&E to establish a GRC memorandum account to record the difference in rates that is effective on January 1, 2020, and the final rates adopted in the GRC decision.

The mechanisms approved in today's decision will allow PG&E and its ratepayers to be financially indifferent to the timing of the issuance of the final decision.

1. Background

On December 13, 2018, Pacific Gas and Electric Company (PG&E) filed Application (A.) 18-12-009, Application for a Test Year (TY) 2020 General Rate Case (GRC), to request authority to increase its GRC revenue requirement beginning January 1, 2020.

On February 7, 2019, PG&E filed a motion (Motion) to request that the Commission issue a decision authorizing PG&E's TY 2020 GRC revenue requirement, which is pending determination in this proceeding, be effective January 1, 2020, in the event that the final decision is issued after this date.

A prehearing conference was held on February 11, 2019. The Assigned Commissioner's Ruling and Scoping Memo (Scoping Ruling) was issued on March 8, 2019. The Scoping Ruling adopted a schedule in which the final Commission decision contemplated a decision issuance date during the first quarter of 2020, in part because PG&E filed its Application three months behind the schedule set in Decision (D.) 14-12-025 (Rate Case Plan Decision)¹, on December 13, 2019, and in part because of the complexity of issues that are considered in the proceeding.

No party filed a response to PG&E's motion.

2. Discussion

The currently adopted schedule in this proceeding sets the issuance of a Commission decision regarding PG&E's 2020 GRC revenue requirement for the first quarter of 2020, which is after the first date of the test year, January 1, 2020. Since PG&E filed its Application three months behind schedule, on December 13, 2018, the Scoping Memo contemplated a schedule in which the

¹ D.14-12-025, also known as the Rate Case Plan Decision, sets the schedule for when the major energy utilities should file their general rate case applications.

final decision would be issued after the first date of the test year, January 1, 2020. Given the complexity of issues in this proceeding, the Commission needs more than 12 months to develop a complete evidentiary record, give full and fair consideration of the record, and issue a final decision in this proceeding. Since the issuance of the final decision authorizing PG&E's 2020 GRC revenue requirement may not occur before the test year begins, it is reasonable to grant PG&E's unopposed motion to set January 1, 2020, as the effective date of its TY 2020 GRC revenue requirement.

Though we grant PG&E's request to set January 1, 2020, as the effective date of the final decision, we need a mechanism that will allow PG&E ratepayers and shareholders to be financially indifferent during the period in which the decision is delayed. In its Motion, PG&E requests a provision for interest accrual and explains that the interest accrual allows ratepayers and shareholders to be financially indifferent. But PG&E does not explain what mechanism it would use to record the difference in rates and to record the accrual in interests.

To keep ratepayers and shareholders financially indifferent, the Commission has authorized energy utilities in previous GRC proceedings to record differences in current rates and final rates, as well as accrued interests, in memorandum accounts.² These memorandum accounts provide a transparent tracking of the difference in rates and the interests accrued on the difference. Thus, we direct PG&E to establish a GRC memorandum account (GRCMA) to record the difference in rates that are effective since the beginning of the test

² D.15-05-044; Administrative Law Judges' Ruling Granting Southern California Edison Company's Motion to Establish a Memorandum Account, December 15, 2017 (A.16-09-001); Administrative Law Judge's Ruling Granting Joint Motion to Establish General Rate Case Memorandum Accounts, June 7, 2018 (A.17-10-007, A.17-10-008)

year, January 1, 2020, and the final rates adopted in this GRC. These memorandum accounts record interests accrued on the difference in rates, with the interest rate set at the Federal Reserve three-month commercial paper rate.³ Allowing the memorandum account to accrue interest, with the Federal Reserve three-month commercial paper rate set as the interest rate, is fair and reasonable. Therefore, we authorize PG&E to record interests accrued in the memorandum account and to use the Federal Reserve three-month commercial paper rate as the interest rate.

The GRCMA, with its provision of accrued interest, protects both PG&E shareholders and ratepayers from a financial gain or loss associated with the delay of the final decision, and allows both shareholders and ratepayers to be financially indifferent to the precise date of when the final decision is issued. Furthermore, the GRCMA allows us to consider various ways to amortize the difference in rates accrued in the account during the time of the delay so that we can minimize the rate shock caused by the delay of the final decision. It also will reduce incentives for any party to achieve gains that could be realized through delay in the effective date of the proceeding's outcome, and will allow time for parties, as well as decision makers, to perform critical review and analysis of the record.

This decision does not bind the Commission to adopt PG&E's requested revenue requirement, or any portion thereof. Any subsequently adopted revenue requirement can only be authorized upon the development of a

³ See Federal Reserve three-month Commercial Paper Rate – Non-Financing, from the Federal Reserve Statistical Release H.15 or its successor.

<http://www.federalreserve.gov/releases/H15/data.htm>.

complete evidentiary record, and full and fair consideration of the record by the Commission.

This decision also does not diminish the importance of adhering to the adopted schedule in this proceeding as closely as possible so as to minimize the delay of the final decision.

3. Comments on Proposed Decision

The proposed decision of Administrative Law Judges Elaine C. Lau and Rafael Lirag in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

4. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner. Elaine C. Lau and Rafael Lirag are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. On December 13, 2018, PG&E filed its TY 2020 GRC Application for a revenue requirement to be effective January 1, 2020.
2. Given the complexity of issues in PG&E's 2020 GRC proceeding, the Commission needs more than 12 months to develop a complete evidentiary record, give full and fair consideration of the record, and issue a final decision in the proceeding.
3. The Assigned Commissioner's Ruling and Scoping Memo sets a schedule that contemplated a final decision issuance date during the first quarter of 2020, which would be after the requested effective date of the GRC revenue requirement, January 1, 2020.

4. On February 7, 2019, PG&E filed a motion to request that the Commission issue a decision authorizing PG&E's GRC revenue requirement to be effective January 1, 2020, subject to interest calculated based on a Federal Reserve three-month commercial paper rate.

5. Granting PG&E's motion to set January 1, 2020 as the effective date of the final decision, as well as a memorandum account that records the difference in current and final rates, allows PG&E and its ratepayers to be financially indifferent to the actual timing of the Commission's final decision on the 2020 revenue requirement.

6. To keep PG&E ratepayers and shareholders financially indifferent during the period in which the final decision is delayed, the memorandum account needs to record the difference in PG&E's current rates and final rates since January 1, 2020, as well as the interest accrued on the differential.

7. The memorandum account provides a transparent tracking of the difference in PG&E's current rates and final rates, as well as interests accrued on the difference.

8. Granting PG&E's motion and the memorandum account protects both PG&E shareholders and ratepayers from a financial gain or loss associated with the delay of the final decision, and allows both shareholders and ratepayers to be financially indifferent to the precise date of when the final decision is issued.

9. Granting PG&E's motion and the memorandum account also removes incentives for procedural gaming that might be attempted if gains could be realized through delay and allows sufficient time for parties, as well as decision-makers, to perform review and critical analysis of the record.

Conclusions of Law

1. In the event that the final decision does not occur before the test year begins on January 1, 2020, it is reasonable to grant PG&E's unopposed motion to set January 1, 2020 as the effective date of its 2020 GRC revenue requirement.

2. The effective date of PG&E's TY 2020 GRC revenue requirement should be January 1, 2020, even if the Commission issues a final decision after that date.

3. A memorandum account that records the difference in PG&E's current rates and final rates since January 1, 2020, as well as interests accrued on the account's balance, should be established.

4. Allowing the memorandum account to accrue interest, with the Federal Reserve three-month commercial paper rate set as the interest rate, is fair and reasonable.

5. The authorization for a January 1, 2020 revenue requirement effective date, as granted herein, does not bind the Commission to adopt PG&E's requested GRC revenue requirement, or any portion thereof, as such a determination can only be made upon development of a complete evidentiary record, with full and fair consideration of the record by the Commission.

O R D E R**IT IS ORDERED** that:

1. Pacific Gas and Electric Company's motion to set the effective date of its Test Year 2020 General Rate Case (GRC) revenue requirement as January 1, 2020 is granted and a GRC memorandum account shall be established, as discussed in Ordering Paragraph 2.

2. Within 30 days of this decision, Pacific Gas and Electric Company (PG&E) shall file a Tier 1 Advice Letter with Energy Division to establish a General Rate

Case Memorandum Account (GRCMA). In the GRCMA, PG&E shall record the difference in rates that are effective since the beginning of the test year, January 1, 2020, and the final rates adopted in this GRC and shall also record interests accrued on the account's balance. PG&E shall use the three-month commercial paper rate published in the Federal Reserve Statistical Release H.15 or its successor as the interest rate.

3. Application 18-12-009 remains open.

This order is effective today.

Dated _____, at San Francisco, California